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6/24/98

NSC BRIEFING

17 January 1956

YUGOSLAVIA

- I. Although Yugoslav government continues to maintain position of balance between East and West, Yugoslav relations with Soviet bloc have recently been marked by increasing economic co-operation.
 - A. Increased co-operation along political and party lines has remained negligible, but since mid-'55 Yugos have been busy formalizing agreements outlined in economic talks at Moscow in Sept '55.
 - B. '56 trade with USSR is scheduled to total \$70 million--nearly double the level called for in '55--and similar trade agreements for '56 have been concluded with Poland and Rumania.
 - C. Soviet bloc scheduled trade for 1956 may become 30% of total Yugoslav foreign trade as compared to about 20% in 1955 and 50% in 1947.
 - D. Nothing indicates the shipment of strategic goods.
- II. A Yugo-Soviet agreement on scientific and technical co-operation (signed 19 Dec '55) provides for exchanging experts and experience in all branches of economic activities.
 - A. USSR will also help build two Yugo fertilizer plants and one power station, rehabilitate three small mines (type of ore undisclosed).

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1. One factory will produce nitrogen fertilizer--annual capacity: 100,000 tons of ammonia.
 2. Other is superphosphate factory--annual capacity: 250,000 tons superphosphate, 120,000 tons sulphuric acid.
 3. Thermal power station will produce 100,000 KW.
- B. Agreement on use of remainder of Soviet credits (total: some \$220 million) expected this month.
1. Funds granted in ten-year credits at 2%.
 2. \$54 million (for raw materials) and \$30 million (in freely-convertible gold) are to be drawn in two to three years.
 3. \$120 million (for agriculture investment) must be drawn before 1960.
- C. Draft agreement on Soviet construction of experimental atomic reactor has also been okayed.
1. Although no details have not been released, USSR apparently will supply technical assistance (including design, equipment, materials and fuel).
 2. Yugos have delayed final signature on project possibly as bargaining device for present atomic talks with West.
- III. On political front, Tito's recent visits to Egypt and Ethiopia culminated a year marked by constant endeavors to expand Yugoslavia's influence among underdeveloped and uncommitted states, strengthen Yugo's "independent" position between East and West.

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- A. Tito's strong denunciation of Baghdad pact, while consistent with longstanding Yugo views on big-power military groupings, clearly aimed to win Belgrade Arab friends.
 - B. Tito had general discussion of Middle Eastern problems with Egyptians, but says he never sought to mediate Arab-Israeli conflict. US embassy Cairo has heard that Egyptians found discussions "boring."
 - C. Final Tito-Nasr communiqué (on independence of both Yugo and Egypt in foreign affairs and economic programs) was evident double-barreled warning not only against alleged Anglo-American interference in Egypt, but also against any Soviet intent to influence policies of either country.
 - 1. Yugoslavs feel particularly qualified to alert Egyptians to dangers inherent in too close relations with USSR.
 - 2. Tito, at Nasr's request, gave latter a copy of Yugoslavia's White Book (which treats in detail Soviet efforts to infiltrate, overthrow Tito regime).

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YUGOSLAVIA M

- I. Although Yugoslav government continues to maintain position of balance between East and West, Yugoslav relations with Soviet bloc have recently been marked by increasing economic co-operation.
 - A. Increased co-operation along political and party lines has remained negligible, but since mid-Dec '55 Yugos have been busy formalizing agreements outlined in economic talks at Moscow in Sep '55, when Soviets offered credits to total \$220 million.
 - B. '56 trade with USSR is scheduled to total \$70 million--nearly double the level called for in '55-- and similar trade agreements for '56 have been concluded with Poland and Rumania.

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D. Nothing indicates the shipment of strategic goods.

II. A Yugo-Soviet agreement on scientific and technical co-operation (signed 19 Dec '55) provides for exchanging experts and experience in all branches of economic activities.

A. USSR will also finance two new Yugo fertilizer plants, one power station, help rehabilitate three small mines (type of Ore undisclosed), out of \$220 million

1. One factory will produce nitrogen fertilizer--annual capacity:

100,000 tons of ammonia.

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at 2%.

2. \$54 million (for raw materials) to be
drawn in 2 to 3 years.

3. \$30 million (in freely-convertible
gold): with exception of \$20 million
loaned to Finland, this is USSR's
only freely - convertible credit to
anyone.

4. \$120 million (for agriculture in-
vestment) must be drawn before 1960.

C. Draft agreement on Soviet construction
of experimental atomic reactor has also
been okayed.

1. Although details have not been released, USSR apparently will supply technical assistance (including design, equipment, materials and fuel).
2. Yugos have delayed final signature on project, possibly as bargaining device for present atomic talks with West.

III. On political front, Tito's recent visits to Egypt and Ethiopia culminated a year marked by constant endeavors to expand Yugoslavia's influence among underdeveloped and uncommitted states, strengthen Yugo's "independent" position between East and West.

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B. Tito had general discussion of Middle Eastern problems with Egyptians, but says he never sought to mediate Arab-Israeli conflict. US Embassy Cairo has heard that Egyptians found discussions "boring."

C. Final Tito-Nasr communique (on independence of both Yugo and Egypt in foreign affairs and economic programs) was evident double-barreled warning not only against alleged Anglo-American interference in Egypt, but also against any Soviet intent to influence policies of either country.

1. Yugoslavs feel particularly qualified to alert Egyptians to dangers inherent in too close relations with USSR.

2. Tito, at Nasr's request, gave latter a copy of Yugoslavia's White Book (which treats in detail Soviet efforts to infiltrate, overthrow Tito regime).

IV. We still stand on our estimate that Tito's dominant motivation is to maintain Yugoslav independence.